

**Testimony of  
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IBM Business Consulting Services**

**before**

**The Subcommittee on Government Efficiency  
and Financial Management  
Committee on Government Reform  
U.S. House of Representatives**

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Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss the role of private sector consultants in implementing financial management systems, including, as you requested:

- An overview of our services and how those services help Federal agencies achieve sound business practices;
- Examples of experience working with Federal agencies, including a discussion of best practices and how they can be applied government-wide;
- Views on changes needed within Federal agency management to facilitate the implementation of financial systems; and
- Views on barriers to success unique to the Federal government when implementing systems that have worked in the private sector.

I am George E. Cruser, a Partner with IBM Business Consulting Services responsible for our Public Sector Financial Management Practice. Our Public Sector Financial Management Practice is a team of approximately 600 consultants providing financial strategy, financial analytics, and financial systems implementation services to the Federal Government, state and local governments, and the education and healthcare industries.

**An overview of IBM Business Consulting Services and how they can help Federal Agencies achieve sound business practices**

IBM Business Consulting Services provides financial management consulting focused around supporting the needs of the chief financial officer (CFO). Our core services focus on the strategy and process changes needed to

improve budget, finance, and accounting operations and overall agency performance, along with the implementation of agency-wide financial systems, performance management systems, and other technology tools to maintain and enhance these improvements. The goal of all of these services is to support the CFO in achieving and maintaining sound business practices for the agency and in improving the agency's overall performance in meeting and exceeding its strategic goals and objectives.

I will start by highlighting a few of these services. In the areas of strategy planning, better budgeting, and performance management, much of our work has been focused around helping agencies in the implementation of the Government Performance and Results Act (GPRA) of 1993 and the President's Management Agenda. The attention of the federal government to strategic planning and the supply of performance information has increased substantially in the 11 years since passage of GPRA. IBM helps agencies develop a framework for strategic planning, including facilitating Federal managers in applying the strategic planning process and in linking budget development and budget requests to the specific elements of the strategic plan. We help agencies develop and automate measurement systems to monitor performance against both the strategic plan and the budget and then use this data to make ongoing operational improvements.

In the areas of the implementation of agency-wide financial systems, performance management systems, and other related technology tools, much of our work has been focused around helping agencies in the implementation of the Government Management Reform Act and the Federal Financial Improvement Act of 1996. By transforming and improving business practices and processes and by using standards-based technology, Federal CFOs have been able to begin the journey of moving from an operation that primarily collected data and reported on results with little time for analysis to an operation where having a timely, accurate, and comprehensive dataset is a given and more of their time is spent in the analysis and interpretation of the results. Implementation of both agency-wide financial systems and performance management systems has helped Federal CFOs increase the pace of this journey toward high-quality analytics and in turn improved business practices.

IBM currently provides implementation services for four major commercial off-the-shelf (COTS) financial management packages: CGI-AMS, Oracle, PeopleSoft, and SAP. Each of these products has features which have been specifically designed for use by the Federal Government and incorporate the unique financial management requirements of the Federal Government. IBM is a significant business partner with each of these COTS vendors. As we implement these products, IBM continues to work with the underlying vendor to improve performance and to recommend new functionality, for future releases, that the Federal Government needs.

## **Examples of experience working with Federal agencies, including a discussion of best practices and how they can be applied government-wide**

In our experience, IBM has found three noteworthy practices that can be applied government-wide:

1. Federal CFOs who require timely, accurate, and comprehensive financial and performance reporting and who accept nothing less than a strong internal control environment and an unqualified audit opinion.
2. Federal CFOs who have used agency-wide implementations of financial and performance management software as a platform for transformation and substantial operational improvements.
3. Federal CFOs who have used software upgrades as a platform to make another round of improvements to their financial operations.

### Accepting nothing less than an unqualified opinion

In working with Federal agencies, IBM has found that Federal CFOs and their teams universally recognize that a timely, accurate, and comprehensive set of financial and performance data is a prerequisite to managing an agency's operations. One measure that an agency has as a sufficient data set is receiving an unqualified opinion along with few, if any, material weaknesses. Once this is achieved, financial and performance management can focus its resources on the analysis and interpretation of this data to achieve sound business practices and to deliver strategic results to the agency.

IBM continues to assist many agencies in developing the financial management processes and procedures to prepare financial statements as part of an agency's commitment to achieve an unqualified opinion and eliminate internal control weaknesses. Many agencies have already achieved unqualified audit opinions and have made significant progress toward eliminating material internal control weaknesses. We continue to work with additional agencies as they work toward "getting to green" on the President's Management Agenda. Achieving an unqualified audit opinion is clearly a sound business practice that should continue to be emphasized until all agencies have met this baseline.

### Using software implementations to substantially improve performance

The implementation of agency-wide financial systems has had a significant impact on improving the timeliness and quality of financial and performance data available to Federal agencies. Technology, largely through standardized financial and performance management software, has been a means to improve, but it is not the best practice in and of itself. The best practice has been the Federal CFO's commitment to a comprehensive review of financial management business process and practices, transforming and improving these

processes and practices to align with the strategic goals of the agency, and then implementing software solutions to automate the data collection, data validation, and data reporting so that agency managers can focus on data analysis, data interpretation, and recommendations for improved performance.

In working with our Federal clients, IBM has seen a new financial system that reduced the time to collect and report data as much as 50 percent. At another client, a new system has allowed managers to answer questions directly from the system and to make decisions quickly versus the prior practice of sending these questions to their staff for review, analysis, and recommendations.

#### Using upgrades as a means to achieve another round of operational improvement

Agencies that make a commitment to improved operations will see a step function improvement when the financial and performance software is initially installed. As part of normal operations that include a focus on continuous improvement, incremental improvement happens routinely. Federal CFOs have found that they can gain another step function increase in operational performance, albeit less than with the initial implementation, with each software upgrade. Software upgrades require many of the same steps as a software implementation; therefore, establishing improvement goals and allowing the changes necessary to achieve these goals during the upgrade process can yield dramatic results. Conversely, using an upgrade solely as a means to incorporate regulatory and compliance changes really amounts to significant work with an improvement opportunity lost.

#### **Views on changes needed within Federal agency management to facilitate the implementation of financial systems**

IBM believes that the greatest obstacle to Federal agencies implementing financial systems and gaining significant value from the implementation is the magnitude of change they are willing to undergo. The most significant potential advantage of implementing COTS products is lower operating and maintenance costs. As changes in regulation, policy, and business practices occur, COTS products can be modified and changed and the cost spread across a broad customer base. In a custom environment, similar changes are required but are spread across only one customer.

The second significant cost advantage is discipline around standardization – a basic recommendation common to all COTS implementations is to standardize processes across the enterprise, allowing all parts of the agency to use compatible software, or even the same version of the software. This allows agencies to have one set of business practices, allows cross-training and collaboration throughout the agency, and increases the overall knowledge base of the system.

COTS products have all been designed to meet all of the basic functions required by Federal agencies. Since no standard product can meet every need, each product can be configured to meet unique requirements beyond the basic Federal functions. Unfortunately, in lieu of streamlining business processes and practices to take advantage of the standard functionality of the COTS product, some agencies have required that the software be configured to conform to the preexisting business processes and practices – in essence no process changes, just make the new software do what we have always done. This approach can require such massive reconfiguration that the COTS product looks more like a custom product specific to the agency at hand than the underlying standard product from which it started. This complicates not only the initial implementation, but requires that all future releases of the product be reconfigured to meet the client's needs – changing a product upgrade into a product reinstallation. Such an approach also results in the agency foregoing the benefits which could result from transforming and improving financial management business processes to “take advantage” of the standard COTS functionality.

Our experience shows that implementing a little change is hard and implementing significant change is also hard. The results of a little change are usually a little improvement, while significant change, done well, yields significant improvement. Since all change is painful, we believe that Federal agencies should use both implementations and upgrades as opportunities to evaluate all processes and practices, make the changes necessary to gain significant improvement, and reap the benefits of these improvements.

### **Views on barriers to success unique to the Federal government when implementing systems that have worked in the private sector**

The set of incentives available to the Federal government versus the private sector is a barrier to success. In the private sector, IBM often sees that rising stars in the executive ranks are selected to manage system implementations and when successful, lead to promotions and other financial rewards. In addition, these implementations are highly visible, a financial and performance management system failure will have an affect on a companies stock price, so throughout the implementation, the project team has the access and attention needed from the CFO and other officers of the company. In the Federal government, providing those who lead the implementation with incentives to meet and exceed the performance improvement targets is often overlooked.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to questions